

GOODS AND SERVICE TAX (GST) ON THE RETAILERS

WITH SPECIAL REFERENCE TO KERALA

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ABSTRACT

The paper titled 'Goods and service Tax on the retailers with special reference to Kerala' includes a detailed analysis of awareness of GST policies and the implementation procedures among retailers in Kerala State. This research takes certain variables that act as determining factor in retailers' acceptance of GST. These variables include readiness for implementation, believe in GST as a beneficial system awareness of policies and procedures in connection with the new tax regime etc. Data collected from various retailers in Kerala also give a clear idea of retailers' misconception about the GST effect on business and its impact on import and export, movement of goods etc. The study concluded that authorizes initiative on conducting awareness programs and return filing will make this new initiative a triumph.

KEYWORDS: GST, Retailers & GST Implementation

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INTRODUCTION

GST, the most widely accepted indirect tax systems over the world is prevalent in more than 150 countries. Globally, the GST has been structured as a destination based comprehensive tax levied at a specified rate on the sale and consumption of goods and services within a country. It does away with the present system of origin base tax and, users in a one tax regime for the entire country. This most significant tax reforms, post-independence is a boon for the nation and will pave way for a reduction in tax evasion and increases accountability and efficiency in tax administration. It is also a business reform in India and will lead to for reaching changes in the way businesses are structured.

Introduction of the Value Added Tax (VAT) at the Central and the State level has been considered to be a major step – an important step forward –in the globe of indirect tax reforms in India. If the VAT is a major improvement over the pre-existing Central excise duty at the national level and the sales tax system at the State level, then the Goods and Services Tax (GST) will indeed be an additional important perfection – the next logical step – towards a widespread indirect tax reform in the country.

Initially, it was conceptualized that there would be a national level goods and services tax, however, with the release of First Discussion Paper by the Empowered Committee of the State Finance Ministers on 10.11.2009, it has been made clear that there would be a “Dual GST” in India, taxation power – both by the Centre and the State to levy the taxes on the Goods and Services. Almost 150 countries have introduced GST in some form.

The major difference between the present tax laws and the proposed GST law is that intangibles like patents, trademarks, software, copyrights etc.....are treated as 'goods' but in the present tax regime are to be treated as 'services'.

The basic idea of this bill is to create a single, cooperative and an undivided Indian market to make the economy stronger and powerful. This can be achieved only by ensuring public knowledge about the bill. This study focuses on understanding the impact of GST on retailers and customers and suggests them to prepare for the new taxation paradigm.

The scope of the study is to know the impact of GST on retailers. The result of this study is to understand the various issues and dilemmas of retailers during implementation of GST and make effective measures to solve it.

OBJECTIVES

- To study about the GST perspectives of retailers in connection with awareness, high price, registration and implementation, consumer behaviour, benefits of GST and export and import.
- To analyse the variance between groups on readiness for implementation by awareness
- To analyse the readiness for the implementation by comparing with the historical benefits of GST in connection with export and import, other nations' major affected areas by GST.
- To identify the major changes business has to undergo due in relation to the execution of GST.

RESEARCH METHODOLOGY

Primary data are collected through interview with the retailers from Kerala (covering Pathanamthitta, Kottayam and Ernakulam district). The sample chosen contains 100 respondents and using convenient sample method. The sampling technique used for the study is a convenient sampling technique. Tools of analysis used for this study is statistical tools like Correlation and ANNOVA. The literature review is also used as a source of information.

LITERATURE REVIEW

On December 20, 2014, the Empowered Committee (EC) of the State Finance Ministers (FMs) agreed to support the 122nd Constitution Amendment Bill (CAB) if the States were adequately compensated for the loss of revenue. On December 19, 2014, the 122nd CAB was tabled in Parliament for the introduction of Goods and Services Tax (GST) that allowed a parallel levy of indirect taxes on the supply of goods or services or both by the Centre and State Governments (including Union Territories). It introduced a dual taxation system subsuming the various indirect taxes levied then (Exhibit 1). The 122nd CAB was a culmination of the sustained efforts of the EC, which had been working since its constitution on July 17, 2000

According to the 122nd CAB, the term 'GST' was defined by introducing a clause 12A in Article 366 of the Constitution of India, to mean "any tax on supply of goods or services or both except taxes on supply of the alcoholic liquor for human consumption." Services" under the 122nd CAB means anything other than goods. State" with reference to articles 246A, 268, 269, 269A and article 279A includes a Union territory with the Legislature. Thus, all the supply of goods or services or both would attract Centre level Goods and Service Tax (CGST; to be levied by the Centre) and State level Goods and Service Tax (SGST; to be levied by State) unless kept out of the purview of GST. As GST would be applicable to 'supply', the erstwhile taxable events such as 'manufacture', 'sale' and 'provision of services' would lose their relevance.

GST would enable a larger tax collection base and prevent cascading of taxes¹. The EC was formed on July 17, 2000 with FMs of seven states as its members with the objective to monitor the smooth implementation of the then proposed Value Added Tax (VAT) across the country.

ANALYSIS USING SPSS AND THE TOOLS USED ARE CORRELATION AND ANNOVA AND DISCUSSIONS

This chapter deals with interpretation of data, which are collected from the retailers from Kerala which include central Travancore districts such as Pathanamthitta, Kottayam, and Ernakulam districts.

- Table 1 showing the correlation between Awareness of GST and perceiving price hike as a result of GST
- Table 2 Showing the Analysis of Variance on readiness for implementation based on revenue of retailers
- Table 3 Showing Correlation of awareness in GST pros and cons and registration in GST
- Table 4 Showing GST causes price hike and readiness for implementation
- Table 5 Showing GST implementation and its effect on consumer behaviour
- Table 6 Showing GST as a beneficial system and readiness for implementation
- Table 7 Showing variance of readiness for implementation by creating awareness on GST

Table 1: Correlation between Awareness on GST and High Price Effect

Correlation			
		Awareness	High Price
AW	Pearson Correlation	1	-.397**
	Sig. (2-tailed)		.000
	N	100	100
HP	Pearson Correlation	-.397**	1
	Sig. (2-tailed)	.000	
	N	100	100

Correlation is significant at the 0.01 level. Increase or decrease in the level of awareness on the GST is causing a variation in the retailers belief on its potential to change price, especially there is a general concern of respondents who are least aware of the GST, that it will leads to high price.

Table 2: Showing One Way ANNOVA on Readiness for Implementation by the GST Effect on Different Category of Retailers (Based on Revenue)

ANNOVA					
	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	36.159	2	18.079	43.034	.000
Within Groups	40.751	97	.420		
Total	76.910	99			

Between groups there is statistically difference exist between means. The F value = 43.04 and p value significance =.000. There is statistically significant difference exist between mean values of readiness for implementation for different category of retailers based on their revenue. The retailers with revenue more than 50lakhs have already implemented the system as per rules and regulations. Those especially with revenue between 25 to 50 lakhs hesitate due to the tax havens or evasions they have enjoyed earlier.

Table 3: Correlation between Registration and Awareness

Correlations			
		Awareness	Readiness for registration
AW	Pearson Correlation	1	-.052
	Sig. (2-tailed)		.604
	N	100	100
Rreg	Pearson Correlation	-.052	1
	Sig. (2-tailed)	.604	
	N	100	100

The significant value 0.604 shows, there is no statistically significant relationship exist between registration on the GST portal and awareness on GST. The discussion with retailers also made it clear that even though retailers who don't have a basic awareness of the GST have registered in the portal due to external pressure.

Table 4: Correlation between High Price and Readiness for Implementation

Correlations			
		High Price	Readiness for Implementation
HP	Pearson Correlation	1	.003
	Sig. (2-tailed)		.977
	N	100	100
RImp	Pearson Correlation	.003	1
	Sig. (2-tailed)	.977	
	N	100	100

The above two variables are insignificantly related with a significance value above 0.05 ie.977. There is no significant relationship exist between readiness of retailers to implement GST based return submission and the effect of the GST on price. In the discussion many of the retailers point out the it is the unawareness of process formalities they are facing a lag in the GST submission and not of high price

Table 5: Correlation between Implementation and Effect on Consumer Behaviour

Correlations			
		Readiness for Implementation	Effect on Consumer Behavior
Rimp	Pearson Correlation	1	.815
	Sig. (2-tailed)		.000
	N	100	100
ECB	Pearson Correlation	.815	1
	Sig. (2-tailed)	.000	
	N	100	100

The relationship between variables is significant in the above case. It is less than 0.01. There is may be significant relationship exist between effect of GST on consumer behavior and readiness for its implementation. During the data collection a few of the respondents share their anxiety over displaying the GST rates in the bill and making the customers convinced on the price even though it doesn't make much changes in price

Table 6: Correlation of GST a More Beneficial System and the Readiness for Implementation

Correlations			
		GST a More Beneficial System	Readiness for Implementation
GSTBS	Pearson Correlation	1	.648
	Sig. (2-tailed)		.000
	N	100	100
RImp	Pearson Correlation	.648	1
	Sig. (2-tailed)	.000	
	N	100	100

The statistical analysis shows that there is significant relationship exist between readiness for implementation and understanding GST as a beneficial system. The retailers who viewed GST as a beneficial system, which facilitate production and supply of goods and services, have already implemented the system and also filing as per GST guidelines and vice versa. The significance value is less than 0.01

Table 7: ANNOVA of Readiness for Implementation by Various Level of Retailers Awareness on GST

ANNOVA					
	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	1.024	3	.341	.432	.731
Within Groups	75.886	96	.790		
Total	76.910	99			

Between groups there is no statistical difference exist between means. The F value =0.432 and p value significance =0.731. There may not be any statistical difference exist between mean values of readiness for implementation by different levels of awareness on GST. Besides this, retailers with even more awareness also implemented the system due to government regulation as per their revenue line. Retailers with less awareness but of more revenue (eg.20 lakhs) have registered and implemented the system

RECOMMENDATIONS

- The retailers concern about the administrative hurdles and filing procedures have to be eluded by conducting practical oriented awareness sessions, authorities' initiatives on this aspect would be highly appreciable.
- The study reveals that, 70% of retailers are aware of GST and its policies but are confused of timely redemption of input credit tax etc. If there is more conceptual clarity and easy procedure of filing returns, retailers accept GST as a beneficial system which will also balance export and;
- The Government should make proper awareness programs about GST and make the necessary steps to increase the role of GST in the retail sector.
- Ensure proper and efficient measures to seamless movement of goods and services. Implementation of GST in the best possible with less administrative difficulties and timely input tax credit would surely make this an acceptable system of taxation in the economy.

CONCLUSIONS

Article titled “Goods and service tax on the retailers with special reference to Kerala” is a research conducted using primary data and secondary data. Here 100 respondents are taken in to concern from various districts of Kerala. The study helps to understand more about GST and various aspects related to GST in best and possible manner. Even after months passed its implementation, retailers do not have adequate knowledge about GST procedures and return filing it is necessary to take obligatory steps by authorities that spectacle the significance of GST and its filing.

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